

Intended Use Plan

Drinking Water State Revolving Fund State Fiscal Year 2022

PUBLIC COMMENT DRAFT



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Department of Environmental Quality
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1 Introduction

On August 6, 1996, the Safe Drinking Water Act (SDWA) Amendments of 1996 (Public Law 104-182) were signed into law. SDWA, Section 1452 authorized the Administrator of the United States Environmental Protection Agency (EPA) to establish a Drinking Water State Revolving Fund (DWSRF) program to assist public water systems in financing the costs of infrastructure needed to achieve or maintain compliance with the SDWA requirements and to protect public health. The DWSRF is administered by the Idaho Department of Environmental Quality (DEQ) Water Quality Division Loan Program, which also administers the Clean Water State Revolving Fund (CWSRF).

Section 1452(b) requires each state to annually prepare an Intended Use Plan (IUP) identifying the use of funds in the DWSRF and describing how those uses support the goal of protecting public health.

The IUP will be finalized for the state fiscal year 2022 (SFY 2022 is from July 1, 2021 through June 30, 2022 after the a 30-day public comment period and an adoption by the Board of Environmental Quality.

The source of federal funding identified in this IUP is the federal fiscal year (FFY) 2022, 2021, 2020, and 2019 capitalization grants.

The IUP includes the following:

- A list of prospective loan projects, ranked in priority order, including the size of systems, estimated project cost, and a project description Note: projects are technically funded via the purchase of debt but are referred to, for ease of reading, as "loans"
- The criteria and methods for distribution of funds
- Short-term and long-term goals of the DWSRF
- DWSRF set-aside activities
- Assurances and specific proposals

2 Estimated Funds Availability

Cash and Investments Holdings	\$62,822,753
EPA Capitalization Grant FFY 2019 (remainder)	99,000
State Match	19,800
EPA Capitalization Grant FFY 2020 (remainder)	1,470,242
State Match	426,354
EPA Capitalization Grant FFY 2021	7,590,690
State Match	2,200,200
EPA Capitalization Grant FFY2022 (estimated)	7,590,690

State Match	2,200,200	
Loans Receivable:		
SFY 2021 Mar-June (4 months)	2,167,587	
SFY 2022	6,062,738	
SFY 2023	6,076,133	
Income on Cash/Investments:		
SFY 2020 Mar-June (4 months)	261,000	
SFY 2021	862,500	
SFY 2022	925,000	
Total Resources:		\$100,774,887
Current Remaining Loan Obligations:	(\$92,302,985)	
(Loans in construction less disbursements)		
Add back: project shrinkage	4,615,149	
(Some projects will self-finance and reduce disbursement requests from the DWSRF)		<u>(87,687,836)</u>
NET RESOURCES AVAILABLE TO PROVIDE ASSISTANCE:		<u>\$13,087,052</u>

Key Assumptions:

Projects take an average of 28 months to construct and close from the date of loan signing. New loan obligations cannot exceed **NET RESOURCES AVAILABLE TO PROVIDE ASSISTANCE**. The next projection will be made on July 1, 2022.

3 List of Projects

Attachment I is the SFY 2022 Drinking Water Loan Fundable, and Attachment II is the SFY 2022 Drinking Water Loan Priority List. Upon completion of the public comment period, a final Priority List will be presented to the Board of Environmental Quality on May 19, 2021 for final approval. Projects are arranged on the Priority List in priority order. The method for determining the priority rating for projects and the public involvement process are described in the latter parts of this document.

4 Program Goals

DEQ's long-term, basic SRF Loan Program goals are as follows:

1. Protect the public health of citizens served by drinking water systems by offering financial assistance to construct cost-effective drinking water facilities. Financial assistance includes below-market-rate loans, longer loan terms and may include principal forgiveness for disadvantaged communities.

2. Assist public water systems in achieving and maintaining statewide compliance with federal and state drinking water standards. DEQ provides information on the public water system switchboard, which has several web-based technical and compliance assistance tools available on it.
3. Implement a capacity development strategy. The goal of the capacity development program is to assist public drinking water system's improve or optimize their technical, managerial, and financial framework so they can sustainably provide safe drinking water to their customers in a cost-effective manner.
4. Implement a source water assessment and protection strategy. The goal is supported through the assessing public drinking water sources, source water protection planning, and providing tools and technical assistance to support the implementation of protection strategies.
5. Manage the Idaho DWSRF to ensure its financial integrity, viability, and revolving nature in perpetuity.
6. Manage the imbalance between the demand upon DWSRF and CWSRF resources. See Attachment V for further discussion of inter-fund transfers.

DEQ's short-term, basic SRF Loan Program goals are as follows:

1. Ensure all appropriate loan assistance requested is provided in a timely manner.
2. Maintain the on-line DWSRF loan handbook, by making technical corrections and providing timely, up-to-date guidance.
3. Direct a minimum of approximately 10% of the capitalization grant to sustainability efforts (i.e., Green Project Reserve) and ensure that a minimum of 20% of the capitalization grant award is provided as a loan subsidy (i.e., principal forgiveness). See Section IV.A. Allocation of Funds.
4. Make necessary changes to the FFY 2022 EPA capitalization grant application.
5. Finalize and implement a new loan servicing software application. The software is expected to achieve reporting efficiencies, better serve DEQ project managers in their day-to-day administration of loan projects, allow DEQ State Office staff to better manage the loan fund with long-term forecasting, and reduce duplicate data entry. The software is being purchased with a mix of DWSRF and CWSRF loan fees.
6. Dedicate a portion of the additional subsidization to reduce the risk of lead in systems that are influenced by corrosive water (see Fundable List, Attachment I).
7. Monitor and take necessary actions to ensure annual capitalization grant and set-asides are spent within two years. Set-aside funds may be transferred into the loan fund, if it appears that the set-aside funds will not be disbursed within two years.
8. Implement the ability to provide funding for emergencies.
9. Implement the creation of the administrative framework needed to leverage through the Idaho State Bond Bank.

5 Information on the Activities to be Supported

5.1 Allocation of Funds

The primary type of assistance provided by the DWSRF is expected to be in the form of low-interest loans for up to 100% of project costs. The effective rate of interest will vary from a ceiling of 2.25% and a floor of 1.25%. The current policy is stated in DEQ Policy Memorandum. An interest rate floor is established to help offset the effects of inflation and to encourage communities to complete their projects in a timely manner.

All loans will be paid back over a period not to exceed 30 years. Principal and interest repayments will begin no later than one year after the date the constructed facility initiates operations.

Disadvantaged loans may have lower interest rates, and principal forgiveness (see Attachment III for an explanation of the Disadvantaged Loans program). The average design life of the project must equal or exceed the repayment term.

The FFY 2021 capitalization grant funding is expected to require \$2,202,200 (20% of the \$11,001,000 capitalization grant, or the "floor") be distributed as a subsidy or principal forgiveness; however, Idaho can allow up to 50% of the capitalization grant to be provided as principal forgiveness for disadvantaged communities (the "ceiling" which equals \$5,505,500). Idaho will accomplish the principal forgiveness requirement through compliance with the "Rules for Administration of the Wastewater and Drinking Water Loan Funds" (IDAPA 58.01.1212.021) requirements for disadvantaged communities and will document the proposed funding terms on Attachment I, Fundable List.

5.2 Principal Forgiveness, Project Subsidies, and Emergencies

Idaho will adopt a 20-25% (of the capitalization grant) principal forgiveness allocation to include \$700,000 for emergencies and lead remediation. The proposed funding terms, on Attachment I, will reflect a principal forgiveness provision of 20% of the FFY 2021 capitalization grant. The capitalization grant equaled \$11,001,000 (for the entire state) and 20% of that figure is \$2,200,200. Disadvantaged systems will share equally, on a project cost pro-rata basis, in \$1,500,200 of the \$2,200,200. The remaining \$700,000 will be used for emergencies and lead remediation.

Principal forgiveness is allocated to systems that have long-term loan repayments to the DWSRF program. Interim financing is not considered a long term loan with DEQ. Interim financing given by DEQ could affect any principal forgiveness the system is slated to receive. If the minimum percentage of principal forgiveness is not reached by the end of the fiscal year, loans receiving interim financing, that qualify for principal forgiveness, may receive principal forgiveness.

To automatically be considered for principal forgiveness, the system's annual user rates will need to exceed 2.00% of the community's median household income. To be considered for principal forgiveness, if user rates fall between 1.50% and 2.00% of median household income, DEQ will verify that:

- the most recent census reports a decline in population for the community during the recent five year reporting period: <https://www.census.gov/data.html>
- unemployment exceeds 4.4%, the statewide average, as posted on the Idaho Department of Labor's website, as of February 22, 2021: <http://labor.idaho.gov/dnn>

To the extent those entities on the Fundable List exceed user rates of \$100 per month, up to 50% of the \$1,500,200 will be allocated proportionally. After the allocation of the initial 50% of principal forgiveness, all disadvantaged systems will share equally, on a project cost pro-rata basis, in the remaining \$750,100 that is available for principal forgiveness. The proposed funding terms first adjust the length of the loan term and secondly the interest rate is adjusted to the disadvantage rate without lowering the monthly user rate below 1.50% of median household income. After these steps are taken, the remaining projects in disadvantaged communities will be provided principal forgiveness based on the highest rates amongst the fundable systems. Principal forgiveness is capped (on an individual loan basis) at the amount necessary to get to 1.50% of median household income.

Reduction of Lead and Copper Exposure

Public drinking water systems (and including public schools (K-12)) will have access to \$500,000, per year for the entire state, for projects that:

- Address corrosion control treatment requirements for lead; or,
- Address lead service line replacement requirements; and,
- The system has triggered the requirement to implement a lead service line replacement program or other approved lead mitigation practices under the small flexibility allowances (i.e., Corrosion Control Treatment, Lead Service Line Replacement, provision of point of use for lead, or replacement of all lead-bearing materials).

At the end of the year unused project subsidy funds will not be rolled forward into the next year.

Emergencies

DEQ's SRF program will provide funding for emergency situations up to a total of \$200,000 for the state. Public water systems seeking emergency funding shall call the DEQ State Office (208) 373-0122 to discuss their needs and application process.

Should there be any principal forgiveness monies that were not utilized by economically disadvantaged communities, they will be considered for emergency use on a case-by-case basis.

Criteria for emergency funding:

- The situation must be a serious and unexpected situation that requires immediate action.
- An emergency must be declared by a local, state, or national governmental entity.
- Public health must be at imminent risk.
- Will not be used for addressing deferred maintenance issues.
- Intended for like-kind replacement, unless the damaged infrastructure would not meet current standards.
- Replacement work should all be done in existing footprint of damaged infrastructure, unless such an approach would not allow the facility to meet current standards. Infrastructure repairs or replacements will only be made to fix the proximate cause of the emergency.
- Costs incurred for replacement prior to a loan being signed will be considered for inclusion in the loan.
- Legal debt authority must be obtained if DEQ is unable to entirely meet replacement needs with project subsidy.
- Receipts must be submitted to justify all costs. "All" costs include any cash advances or costs incurred prior to the funding assistance agreement having been signed.
- Any over-payments by DEQ (most likely happening in the context of an advance) will require reimbursement by the funding recipient.
- Rules for SRF loans will be followed to determine cost/expense eligibility.
- Volunteers will not be compensated for their time. All personnel time, in order to be eligible, must be supported by the existence of W-2's or contracts.

Loan-Eligible Activities

DWSRF loans will provide for the construction of water supply, treatment, storage, and distribution facilities. DWSRF loan assistance will be provided to local communities, counties, water districts, and nonprofit associations. If growth or fire flow are funded, they cannot constitute the primary purpose for the loan.

DEQ may award any combination of planning, design, and construction loans from the DWSRF.

Use of Set-Asides

The following set-asides are based on a federal grant award of \$11,001,000. If the grant is less or more, the set-aside amounts will be proportionately reduced or increased. Set-aside use requirements are outlined in the Code of Federal Regulations, 40 CFR 35.3535.

4% Administration and technical assistance set-aside.

DEQ plans to reserve 4% or \$440,040 of the FFY 2021 capitalization grant for administrative expenses of the DWSRF. Such activities include, but are not limited to preparation of project lists; project application, review, and monitoring; review of environmental documents; disbursement of loan funds; receipting of loan repayments; and administering activities funded from the DWSRF set-asides.

2% Technical assistance set-aside.

DEQ plans to reserve 2% or \$220,020 of the FFY 2021 capitalization grant to provide technical assistance to small public water systems serving fewer than 10,000 people.. None of these funds will be spent until EPA has approved a work plan that identifies tasks for which the funds will be used.

10% State program management set-aside. DEQ plans to reserve 10% or \$1,100,100 of the FFY 2021 capitalization grant to supplement the administration of the Drinking Water Bureau. None of these funds will be spent until EPA has approved a work plan that identifies tasks for which the funds will be used.

15% Local assistance and other state programs set-aside.

DEQ plans to reserve 10% or \$1,100,100 of the FFY 2021 capitalization grant for source water protection. These funds will be used to assess public drinking water sources to characterize the water source and determine its susceptibility to contamination; assist with developing and implementing source water protection plans; implement source water protection projects and develop tools and resources to facilitate source water protection implementation efforts; and provide source water protection education, outreach, training, and technical assistance to owners and operators of public water systems, staff at local governments, schools, businesses, and the public. None of these funds will be spent until EPA has approved a work plan that identifies tasks for which the funds will be used.

DEQ plans to reserve 5% or \$550,050 of the FFY 2021 capitalization grant for implementation of the capacity development strategy. These monies will fund the several capacity development tasks as detailed in the approved work plan. None of these funds will be spent until EPA has approved a work plan that identifies tasks for which the funds will be used. DEQ will utilize \$350,000 from this grant to pay for drinking water planning grants.

If the amount of funds reserved for the set-asides are not projected to be used by the end of the second year, or as agreed upon between EPA Region 10 and DEQ, the excess funds will be transferred into the loan corpus. When 2%, 4%, or 10% set-asides are transferred to the loan corpus, the amounts transferred may be considered as "banked" and if additional set-aside funds are needed in the future, the programs needing set-aside funds may draw upon these "banked" funds. However, the 15% set-asides (used for Source Water Protection and for Capacity Development) cannot be "banked."

Assistance Agreement Fees

In order to support administrative costs associated with operating the Drinking Water State Revolving Fund (DWSRF) program, a fee program was instituted. The fee will be 1% of the unpaid balance of the assistance agreement (unless the grand total of the interest rate and fee is less than 1%, in which case the fee will be reduced), payable when the regular repayments are made. Herein the term effective interest will be the sum of the fee and the true interest. The interest rate will be reduced by the corresponding percentage of the fee, so there is no net

effect on borrowers. Fees are only being charged on new assistance agreements or on projects in progress for which an assistance agreement offer amendment is required.

For SFY 2020, the fee revenues were \$421,945, and for SFY 2021 the expected fee revenue should total \$215,436.05. The fee cash balance, mid-way through SFY 2021, was \$1,188,937.83. In the second half of SFY 2021, approximately \$150,000 of fee revenues will be used to fund DWSRF administrative and technical support costs incurred beyond the federal capitalization grant support level and drinking water planning grant support.

For SFY 2022, DEQ expects to expend approximately \$350,000 of fee revenues, to fund Capacity Development costs and to support the planning grant efforts. Additionally, \$250,000 of fees will be used for capitalization grant match, along with \$50,000 for leveraging, and \$150,000 for database software.

Support for drinking water planning grants will include direct support to municipalities for their plan development and the DEQ staff time to administer the grant support. The DEQ personnel costs will be drawn from each regional office and the state office in Boise. In each regional office, the personnel charging against the fee account will be engineering staff to support drinking water planning grants. In the state office, the personnel time will consist of financial and environmental review staff.

Surplus fee revenues will be transferred into the assistance agreement repayment account, to increase available resources for assistance agreements. Surplus fees will earn the same interest as regular repayment idle monies and will be periodically transferred to the fund corpus. Should a cash flow deficiency arise in the fund corpus, surplus fees would be transferred ad hoc.

6 Assurances and Specific Proposals

6.1 Environmental Reviews

DEQ certifies that it will conduct environmental reviews of each project receiving assistance from the DWSRF. DEQ will follow the EPA-approved State Environmental Review Process (SERP) for conducting environmental reviews.

The rules are outlined in IDAPA 58.01.1212.

A more detailed procedural description is found in the Drinking Water Loan Account Handbook (Chapter 5), located at <https://www2.deq.idaho.gov/admin/LEIA/index.html?view=folder&id=2630>

6.2 Binding Commitments

DEQ will enter into binding commitments in an amount equal to the most recent grant award and proportional state match within one year of receipt of those funds.

6.3 Expeditious and Timely Expenditures

DEQ will strive to expend all funds in the DWSRF in a timely and expeditious manner. Should additional funds be made available to the Idaho DWSRF during the course of SFY 2022, the Idaho DWSRF will use the existing Priority List to allocate and commit those additional funds.

6.4 State Matching Funds

DEQ agrees to deposit state monies into the DWSRF in an amount equal to 20% of the federal capitalization grant on or before the date by which the State of Idaho receives the cash draw from EPA. These funds will be transferred from a combination of the state's Water Pollution Control Account and from the loan fee account.

6.5 State Laws and Procedures

DEQ agrees to make expenditures according to applicable state laws and procedures.

6.6 National Reporting Needs

DEQ agrees to provide data or information to EPA as may be required for national reports and public or congressional inquiries. Capitalization grant-funded recipients will be monitored (by DEQ's Fiscal Section) for Single Audit Act compliance. Many federal requirements apply in an amount equal to the capitalization grant. These requirements include Disadvantaged Business Enterprise (DBE) compliance and Federal Funding Accountability and Transparency Act (FFATA) reporting. American Iron and Steel and Davis Bacon wage provisions compliance apply to all funds (not just the capitalization grant funds) in the DWSRF and carry reporting and compliance requirements.

In order to minimize administrative complexity and the burden on borrowers, the DWSRF program will select projects with a dollar value equaling the most recent federal capitalization grant award that is reserved for loans, to comply with the FFATA requirements. Additionally, FFATA reporting will be conducted for set-aside single transactions that equal or exceed \$25,000.

6.7 Transfers Between State Revolving Fund Loan Funds

Should transfers become needed, DEQ reserves the right to transfer surplus funds originating back to FFY 1997 capitalization grant awards. See Attachment IV for listings of capitalization grants and the related narrative. Per 40 CFR 35.3550, a state may reserve the authority to transfer funds in future years. Funds may be transferred on a net basis, provided that the 33% transfer allowance associated with the DWSRF program capitalization grants received is not exceeded. Only repayments will be used for transfers. Through SFY 2022, \$40 million in transfers will have been made from the DWSRF to the CWSRF.

7 Criteria and Method for Distribution of Funds

Idaho public drinking water systems will be queried regularly to obtain information regarding projects for which loan monies could be used. Additional information about potential projects will be obtained from DEQ regional office engineers, privately retained consulting engineers, and other state and federal agencies. DWSRF monies will be distributed according to the methods, criteria, and eligible activities as identified and described in IDAPA 58.01.12.

The criteria and methods for distribution of funds are designed to allow maximum flexibility in providing assistance, thereby enhancing the long-term viability and revolving loan aspect of the DWSRF program.

DEQ will use the priority rating system outlined here for managing the DWSRF program. Only projects on the joint Fundable/Priority List are eligible for funding.

DEQ reserves the right to fund lower priority projects over higher priority projects that are not ready to proceed. In such instances, DEQ will comply with established bypass procedures. DEQ may add projects to the Fundable List due to emergencies such as an unanticipated system failure or a project that is needed to prevent an imminent health threat.

No funding commitment will be made to a project until an engineering report; environmental review; and a financial, managerial, and technical assessment have been completed, although any project without a repayment obligation would not require underwriting.

The rating criteria used for the SFY 2022 Fundable/Priority List are as follows:

Table 1. SFY 2022 DWSRF Rating Criteria

Public Health Hazard		(Maximum section points = 126)
		Maximum Points
▪ Microbiological violations		26
▪ Chemical violations		10
▪ Surface water treatment technique		12
▪ Low pressure events		24
▪ Reduction in source capacity		24
▪ Significant system deficiencies		18
▪ Unregulated contaminants		12
General Conditions of Existing Facility		(Maximum section points = 60)
▪ Treatment deficiencies		21
▪ Source deficiencies		17
▪ Distribution deficiencies		14

▪ Redundancy and standby power	5
Sustainability Efforts	(Maximum section points = 50)
▪ Management-based efforts	25
▪ Technology-based efforts	60
▪ Construction practices	10
Consent Order, Compliance Agreement Schedule, or Court Order	(Maximum section points = 30)
▪ Funding solves technical issues	30
Incentives	(Maximum section points = 12)
▪ Current source water protection plan	2
▪ Cross-connection control program	2
▪ No significant deficiencies in the last sanitary survey	2
▪ Using properly licensed Substitute Responsible Charge Operator	2
▪ No more than one failure to monitor violations in past 5 years for all analyses	2
▪ Project develops or updates an Asset Management Plan	2
Affordability	(Maximum section points = 10)
▪ Project user charge exceeds affordable criteria	10

8 Additional Information Requirements

8.1 Public Review and Comment

The IUP contents, including the Priority List, are subject to a thorough public participation process. Regional office staff made personal contact with drinking water systems in their respective areas that had indicated interest and rated the projects. Priority Lists were also disseminated to all state and federal agencies involved in infrastructure financing. Those agencies, including the United States Department of Agriculture-Rural Development, Rural Community Assistance Corporation, and Idaho Department of Commerce (Community Development Block Grants), meet periodically to discuss potential projects.

In addition to the above, the IUP, including the Fundable List and the Priority List, will be posted on the DEQ website, and notices inviting comment will be published in the state's major newspapers during the comment period.

A summary of the public participation process is included as Attachment III.

Projects from the SFY 2022 Priority List for which DEQ intends to provide loan funding are identified in Attachment I. These projects will be considered for approval by the DEQ Board at the May 19, 2021, meeting.

8.2 Bypass Procedures

A project that does not or will not meet the project target date or a DEQ schedule that allows for timely use of loan funds may be bypassed, substituting the next highest ranking project(s) that is ready to proceed, as identified and described in IDAPA 58.01.12. DEQ intends to use Priority List ranking as much as possible when preparing the list of fundable projects. However, a lack of adequate funding, changes in project scope, failure to pass a bond election, or other unforeseen circumstances may require that a project on the IUP Priority List be bypassed. If a project is bypassed, DEQ will offer loan funds to the highest ranked, ready-to-proceed project from the most current approved Priority List. Bypassed projects will be listed in the Annual Report.

ATTACHMENT I. Fundable List of Drinking Water Loan Projects

State of Idaho, Drinking Water State Revolving Loan Fund
for the Period of July 1, 2021 through June 30, 2022

Rank	Project	Rating Points	Regional Office	System Type	Green Infrastructure Cost	System Number	Pop. Served	Proposed Funding Terms	Loan Amt. & Est. Loan Date	Project Description
1	Murray Water Association	125	Coeur d'Alene	Private	\$0	ID1400039	32	30 years at 1.50% with \$373,826 of PF	\$735,000 July 2021	Add new wells, pumps, generator, and upgrade distribution system
2*	City of Challis	99	Idaho Falls	Public	\$100,000	ID7190013	1020	30 years at 1.50% with \$68,108 of PF	\$3,000,000 November 2021	Upgrade treatment, well house and booster pumps
3	City of Grand View	94	Boise	Public	\$20,000	ID3370010	470	30 years at 1.50% with \$63,655 of PF	\$2,000,000 July 2021	Upgrade treatment and distribution system
5**	City of Dayton	85	Pocatello	Public	\$226,000	ID6210004	487	20 years at 2.25%	\$1,032,000 July 2021	Add new wells, upgrade to treatment and distribution system
6*	Laclede Water District	73	Coeur d'Alene	Public	\$850,000	ID1090073	615	30 years at 1.50% with \$721,321 of PF	\$5,320,000 July 2021	Upgrade treatment, intake and distribution system
7	Oden View Estates Improvement Association	69	Coeur d'Alene	Private	\$0	ID1090091	64	30 years at 1.50% with \$273,290 of PF	\$300,000 July 2021	Development of Planning document
19	Systems w/Corrosive Water or Lead Fixtures Presenting a Public Health Hazard	Unk	All	All	All	Unk	Unk	\$500,000 of principal forgiveness	\$500,000	Fund Planning, Design and Construction to remediate corrosive/aggressive water situations that present a clear threat to public health
20	Emergency	Unk	All	All	Unknown	Unk	Unk	\$200,000 of principal forgiveness	\$200,000	See Section 5.2 of Intended Use Plan
Totals ==>					<u>\$1,196,000</u>			<u>\$2,200,200</u>	<u>\$13,087,000</u>	

NOTES: *Challis and Laclede Water District are expected to meet the state's cross-cutting and reporting requirements which are required of loans that equal the state's annual capitalization grant award amount.

**Increase of \$359,000 is required in the following fiscal year to fully fund project

ATTACHMENT II. Priority List of Drinking Water Loan Projects

State of Idaho, Drinking Water State Revolving Loan Fund
for the Period of July 1, 2021 through June 30, 2022

Rank	Project	Rating Points	Regional Office	System Type	System Number	Pop. Served	Project Cost	Project Description
1	Murray Water Association	125	Coeur d'Alene	Private	ID1400039	32	\$735,000	Add new wells, pumps, generator, and upgrade distribution system
2	City of Challis	99	Idaho Falls	Public	ID7190013	1020	\$3,000,000	Upgrade treatment, well house and booster pumps
3	City of Grand View	94	Boise	Public	ID3370010	470	\$2,000,000	Upgrade treatment and distribution system
4	City of Genesee	89	Lewiston	Public	ID2290015	959	\$3,500,000	Add new well, well house, replace booster station and make distribution improvements
5	City of Dayton	85	Pocatello	Public	ID6210004	487	\$1,891,000	Add new wells, upgrade to treatment and distribution system
6	Laclede Water District	73	Coeur d'Alene	Public	ID1090073	615	\$5,320,000	Upgrade treatment, intake and distribution system
7	Oden View Estates Improvement Association	69	Coeur d'Alene	Private	ID1090091	64	\$300,000	Development of planning document
8	Cave Bay Community System	64	Coeur d'Alene	Private	ID1280041	437	3,500,000	Upgrade distribution system, existing well house, add new well source and storage.
9	Scenic Properties Water Association, Inc.	60	Boise	Private	ID1090136	490	\$2,100,000	Upgrades to booster station and distribution system
10	City of McCammon	54	Pocatello	Public	ID6030038	849	\$7,778,000	Upgrade distribution system, improve storage tank, and install water meters

Rank	Project	Rating Points	Regional Office	System Type	System Number	Pop. Served	Project Cost	Project Description
11	Evans Water Corporation & Homeowners Association	47	Boise	Private	ID4010055	138	\$200,000	Replace distribution system
12	City of Grangeville	45	Boise	Public	ID2250023	3,182	\$12,127,800	Add new well
13	Remington Recreational Water & Sewer District	42	Coeur d'Alene	Public	ID1280270	900	\$2,835,000	Improve or add wells
14	City of Blackfoot	42	Pocatello	Public	ID6060007	11,584	\$10,000,000	Upgrade distribution system
15	City of Wilder	41	Boise	Public	ID3140138	1,533	\$2,742,000	Upgrade distribution system and add booster pump station
16	Meander Point HOA	34	Twin Falls	Private	ID5420040	140	\$40,000	Install treatments system
17	Syringa Heights Water District	23	Coeur d'Alene	Public	ID1090136	490	\$550,000	Upgrade booster station and distribution system
18	Country Haven Utilities Association	16	Pocatello	Private	ID6060013	150	\$744,000	Upgrade treatment system, distribution system and install water meters
19	Systems w/Corrosive Water or Lead Fixtures Presenting a Public Health Hazard	20	All	All	All	Unk	\$500,000	Fund Planning, Design and Construction to remediate corrosive/aggressive water situations that present a clear threat to public health.
20	Emergency	Unk	All	All	All	Unk	\$200,000	See section IV.A. of the Intended Use Plan
Totals ==>							<u>\$60,262,800</u>	

ATTACHMENT III. Description of Disadvantaged Loans

Idaho Drinking Water Revolving Loan Fund

To initially qualify for a disadvantaged loan, a loan applicant must have an annual cost of drinking water service for residential customers that exceeds 1.50% of the median household income. The annual cost includes all operating, maintenance, replacement, and debt service costs, both for the existing system and upgrades being financed with state debt. If the applicant's service area is not within the boundaries of a municipality, the applicant may use census data for the county in which it is located, or may use a DEQ-approved income survey (which details the community's median household income).

First, the loan interest rate will be reduced from the rate established by the DEQ director for standard loans to a rate that results in an annual charge equal to 1.50% of median household income. The interest rate reduction may result in a loan interest rate of as low as 1.50% for a 20-year loan (in rare instances the rate may be set at 0.00%). Loans for 30 years have a 0.25% higher interest rate than a 20-year loan but will result in lower annual repayments.

Second, if a 1.50% interest rate and 20-year repayment loan terms and conditions result in the annual user charge exceeding 1.50% of median household income, then the length of the loan repayment will be extended in yearly increments up to a maximum of 30 years until the annual user charges equals 1.50% of median household income.

Last, (assuming that a 30 year repayment period is acceptable to the applicant) if at 1.75% interest and a 30-year repayment, the annual user charge still exceeds 1.50% of median household income, the principal may be reduced. If a disadvantaged community's user rates exceed 2.00% of median household income there will be no more qualification requirements for that community in order to receive principal forgiveness. If the user rates fall in between 1.50% - 2.00% of median household income see requirements in Section IV.A (page 6).

The principal reduction will be based on the pool of qualifying disadvantaged communities (projects) and communities in need of emergency assistance. Principal forgiveness may not be to lower a community status to below 1.50% of the median household income.

- When the federal capitalization grant is ready to be closed out (that is associated with the principal forgiveness allocated for SFY 2022) any unallocated principal forgiveness for disadvantaged communities (identified in the Fundable List – Attachment I), will be allocated to those disadvantaged entities that signed loans with DEQ during state fiscal year 2022 and still qualify as disadvantaged. If a project's budget increases after the Fundable List is established, any year-end reallocation of unused principal forgiveness will take into account the project's new cost.
- If a disadvantaged community accepts principal forgiveness and their project is completed under budget, their remaining principal forgiveness will be allocated to those disadvantaged entities that signed loans with DEQ during the state fiscal year and still qualify as disadvantaged.

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- If a project that has a claim to disadvantaged assistance (on the Fundable List) opts out of the loan process and the funding thereby goes to a lower rated project, that lower rated project (if the community is disadvantaged) can lay claim to the disadvantaged assistance (however, the ratio of principal forgiveness to dollars loaned will remain consistent).

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ATTACHMENT IV. Listing of Capitalization Grants—Reference for Potential Transfers Between Funds

Drinking Water SRF

Federal Fiscal Year	Capitalization Grant Amount
1997	\$14,157,800
1998	7,121,300
1999	7,463,800
2000	7,757,000
2001	7,789,100
2002	8,052,500
2003	8,004,100
2004	8,303,100
2005	8,285,500
2006	8,229,300
2007	8,229,000
2008	8,146,000
ARRA	19,500,000
2009	8,146,000
2010	13,573,000
2011	9,418,000
2012	9,080,824
2013	8,421,000
2014	8,845,000
2015	8,787,000
2016	8,312,000
2017	8,241,000
2018	11,107,000
2019	11,004,000
2020	11,011,000
Total	\$236,984,324

Note: The Drinking Water SRF fund is used to measure how much in transfers may be made, between the two loan funds.

Only one transfer may be made each year. For SFY 2022 \$10 million may be transferred from the Drinking Water SRF to the Clean Water SRF, dependent upon whether or not systems on the DWSRF 2022 Fundable List opt out of the loan process, thereby freeing up funds to be used by CWSRF borrowers. Per 40 CFR 35.3550 a state may reserve the authority to transfer funds in future years. Funds may be transferred on a net basis, provided that the 33% transfer allowance associated with the DWSRF program capitalization grants received is not exceeded. Only repayments will be used for transfers.

The recent past has highlighted an imbalance in demand between the two loan funds, with the CWSRF having a much higher demand than the DWSRF:

- Demand in SFY 2012 for DWSRF \$68m vs. CWSRF \$117m
- Demand in SFY 2013 for DWSRF \$27m vs. CWSRF \$149m
- Demand in SFY 2014 for DWSRF \$37m vs. CWSRF \$162m
- Demand in SFY 2015 for DWSRF \$45m vs. CWSRF \$69m
- Demand in SFY 2016 for DWSRF \$46m vs. CWSRF \$67m
- Demand in SFY 2017 for DWSRF \$24m vs. CWSRF \$92m
- Demand in SFY 2018 for DWSRF \$36m vs. CWSRF \$264m
- Demand in SFY 2019 for DWSRF \$39m vs CWSRF \$137m
- Demand in SFY 2020 for DWSRF \$71m vs CWSRF \$78m
- Demand in SFY 2021 for DWSRF \$29m vs CWSRF \$80m
- Demand in SFY 2022 for DWSRF \$47m vs CWSRF \$394m

The two types of projects (DW vs. CW) have the same funding sources to apply to, so there is no offsetting relief for the CW entities from which to seek additional funds. Typically CW projects are more expensive than DW projects (this year the ratio is \$2.75m: \$1.0m per project, respectively). The current expectation is that the transferred funds into the CWSRF will reside there for some period of years; however, the transfer may be reversed in the future if the relative needs change.

The total amount of authority being reserved is 33% of \$236,984,324 or \$78,204,826. With the actual transfers of \$10,000,000 in SFYs 2015, 2016, 2017, and 2019 there will remain \$38,204,826 of reserve that could be transferred from the Drinking Water SRF to the Clean Water SRF, until the reserve is increased by new Federal grants. Transfers will be taken from repayments and will not affect set-asides. The potential for long-term diminution of DWSRF fund resources will be known as future, relative needs become known. DEQ will continue to monitor and conduct financial assessment/modeling to determine potential long-term impacts to the DWSRF fund.